Tragedy and Hope

A History of Banking and Money by Carroll Quigley

"The powers of financial capitalism had [a] far-reaching aim, nothing less than to create a world system of financial control in private hands able to dominate the political system of each country and the economy of the world as a whole. This system was to be controlled in a feudalist fashion by the central banks of the world acting in concert by secret agreements arrived at in frequent private meetings and conferences."
-- Quote from Caroll Quigley's *Tragedy and Hope*, Chapter 20

Carroll Quigley was a professor of history at Georgetown University from 1941 to 1976. He also taught at Princeton and at Harvard, and lectured at the Brookings Institution. He was a frequent lecturer at the U.S. Naval Weapons Laboratory, the Foreign Service Institute, and the Naval College at Norfolk, Virginia. In 1958, he served as a consultant to the Congressional Select Committee which set up the National Space Agency. Below are key excerpts on the history of money and banking from Prof. Quigley's masterpiece *Tragedy and Hope: A History of the World in Our Time*.

Note: The below excerpts are taken from chapters 5, 9, 20, 65, and 77 of *Tragedy and Hope*, with a focus on Prof. Quigley's excellent discussion of the role of money and banking in world history. This is a 10-page summary. **To go directly to a more in-depth 40-page summary, click here.**

Chapter 5—European Economic Developments

Commercial Capitalism

Western Civilization is the richest and most powerful social organization ever made by man. One reason for this success has been its economic organization, [which] has passed through six successive stages, of which at least four are called "capitalism." Each stage created the conditions which tended to bring about the next stage.

The [first stage] of self-sufficient agrarian units (manors) was in a society organized so that its upper ranks—the lords, lay and ecclesiastical—found their desires for necessities so well met that they sought to exchange their surpluses of necessities for luxuries of remote origin. This gave rise to a trade in foreign luxuries (spices, fine textiles, fine metals) which was the first evidence of the stage of commercial capitalism. In this second stage, mercantile profits and widening markets created a demand for textiles and other goods which could be met only by application of power to production.

This gave the third stage: industrial capitalism. The stage of industrial capitalism soon gave rise to such an insatiable demand for heavy fixed capital, like railroad lines, steel mills, shipyards, and so on, that these investments could not be financed from the profits and private fortunes of individual proprietors. New instruments for financing industry came into existence in the form of limited-liability corporations and investment banks. These were soon in a position to control the chief parts of the industrial system, since they provided capital to it.

This gave rise to financial capitalism. **The control of financial capitalism was used to integrate**

the industrial system into ever-larger units with interlinking financial controls. This made possible a reduction of competition with a resulting increase in profits. As a result, the industrial system soon found that it was again able to finance its own expansion from its own profits, and, with this achievement, financial controls were weakened, and the stage of monopoly capitalism arrived.

In this fifth stage, great industrial units, working together either directly or through cartels and trade associations, were in a position to exploit the majority of the people. The result was a great economic crisis which soon developed into a struggle for control of the state—the minority hoping to use political power to defend their privileged position, the majority hoping to use the state to curtail the power and privileges of the minority. This dualist struggle dwindled with the rise of economic and social pluralism after 1945.

The Primary Goal of Capitalism

Capitalism provides very powerful motivations for economic activity because it associates economic motivations so closely with self-interest. But this same feature, which is a source of strength in providing economic motivation through the pursuit of profits, is also a source of weakness owing to the fact that so self-centered a motivation contributes very readily to a loss of economic coordination. Each individual, just because he is so powerfully motivated by self-interest, easily loses sight of the role which his own activities play in the economic system as a whole, and tends to act as if his activities *were* the whole, with inevitable injury to that whole.

Capitalism, because it seeks profits as its primary goal, is never primarily seeking to achieve prosperity, high production, high consumption, political power, patriotic improvement, or moral uplift. Any of these may be achieved under capitalism, and any (or all) of them may he sacrificed and lost under capitalism, depending on this relationship to the primary goal of capitalist activity—the pursuit of profits. During the nine-hundred-year history of capitalism, it has, at various times, contributed both to the achievement and to the destruction of these other social goals.

[The] stage of commercial capitalism became institutionalized into a restrictive system, sometimes called "mercantilism," in which merchants sought to gain profits, not from the movements of goods but from restricting the movements of goods. Thus the pursuit of profits, which had earlier led to increased prosperity by increasing trade and production, became a restriction on both trade and production, because profit became an end in itself rather than an accessory mechanism in the economic system as a whole.

In the course of time, however, some merchants began to shift their attention from the goods aspect of commercial interchange to the other, monetary, side of the exchange. They began to accumulate the profits of these transactions, and became increasingly concerned, not with the shipment and exchange of goods, but with the shipment and exchange of moneys. In time they became concerned with the lending of money to merchants to finance their ships and their activities, advancing money for both, at high interest rates, secured by claims on ships or goods as collateral for repayment.

The Operations of Banking Were Concealed So They Appeared Difficult to Master

In sum, specialization of economic activities, by breaking up the economic process, had made it possible for people to concentrate on one portion of the process and, by maximizing that portion, to jeopardize the rest. The process was not only broken up into producers, exchangers, and consumers but there were also two kinds of exchangers (one concerned with goods, the other with money), with almost antithetical, *short-term,* aims. The problems which inevitably arose could be solved and the system reformed only by reference to the system as a whole.

Unfortunately, however, three parts of the system, concerned with the production, transfer, and consumption of goods, were concrete and clearly visible so that almost anyone could grasp them simply by examining them, while **the operations of banking and finance were concealed, scattered, and abstract so that they appeared to many to be difficult. To add to this, bankers themselves did everything they could to make their activities more secret and more esoteric. Their activities were reflected in mysterious marks in ledgers which were never opened to the curious outsider.**

In the course of time the central fact of the developing economic system, the relationship between goods and money, became clear, at least to bankers. This relationship, the price system, depended upon five things: the supply and the demand for goods, the supply and the demand for money, and the speed of exchange between money and goods.

An increase in three of these (demand for goods, supply of money, speed of circulation) would move the prices of goods up and the value of money down. This inflation was objectionable to bankers, although desirable to producers and merchants. On the other hand, a decrease in the same three items would be deflationary and would please bankers, worry producers and merchants, and delight consumers (who obtained more goods for less money). The other factors worked in the opposite direction, so that an increase in them (supply of goods, demand for money, and slowness of circulation or exchange) would be deflationary [and vice versa].

Such changes of prices, either inflationary or deflationary, have been major forces in history for the last six centuries at least. Over that long period, their power to modify men's lives and human history has been increasing.

Bankers Obsessed With Maintaining Value of Money

Rising prices benefit debtors and injure creditors, while falling prices do the opposite. A debtor called upon to pay a debt at a time when prices are higher than when he contracted the debt must yield up less goods and services than he obtained at the earlier date, on a lower price level when he borrowed the money. A creditor, such as a bank, which has lent money—equivalent to a certain quantity of goods and services—on one price level, gets back the same amount of money—but a smaller quantity of goods and services—when repayment comes at a higher price level, because the money repaid is then less valuable.

This is why **bankers, as creditors in money terms, have been obsessed with maintaining the value of money, although the reason they have traditionally given for this obsession—that "sound money" maintains "business confidence"—has been propagandist rather than accurate.**

Hundreds of years ago, bankers began to specialize, with the richer and more influential ones associated increasingly with foreign trade and foreign-exchange transactions. Since these were richer and more cosmopolitan and increasingly concerned with questions of political significance, such as stability and debasement of currencies, war and peace, dynastic marriages, and worldwide trading monopolies, they became the financiers and financial advisers of governments.

Moreover, since their relationships with governments were always in monetary terms and not real terms, and since they were always obsessed with the stability of monetary exchanges between one country's money and another, **they used their power and influence to do two things: (1) to get all money and debts expressed in terms of a strictly limited commodity—ultimately gold; and (2) to get all monetary matters out of the control of governments and political authority, on the ground that they would be handled better by private banking interests.**

Bankers Create Money Out of Nothing

For generations men had sought to avoid the one drawback of gold, its heaviness, by using pieces of paper to represent specific pieces of gold. We call such pieces of paper gold certificates. Such a certificate entitles its bearer to exchange it for its piece of gold on demand, but in view of the convenience of paper, only a small fraction of certificate holders ever did make such demands.

It early became clear that gold need be held on hand only to the amount needed to cover the fraction of certificates likely to be presented for payment; accordingly, the rest of the gold could be used for business purposes, or, what amounts to the same thing, a volume of certificates could be issued greater than the volume of gold reserved for payment of demands against them. Such an excess volume of paper claims against reserves we now call bank notes.

In effect, this creation of paper claims greater than the reserves available means that bankers were creating money out of nothing. The same thing could be done in another way, not by note-issuing banks but by deposit banks. Deposit bankers discovered that orders and checks drawn against deposits by depositors and given to third persons were often not cashed by the latter but were deposited to their own accounts. Thus there were no actual movements of funds, and payments were made simply by bookkeeping transactions on the accounts.

Accordingly, it was necessary for the banker to keep on hand in actual money ... no more than the fraction of deposits likely to be drawn upon *and cashed;* the rest could be used for loans, and if these loans were made by creating a deposit for the borrower, who in turn would draw checks upon it rather than withdraw it in money, such "created deposits" or loans could also be covered adequately by retaining reserves to only a fraction of their value.

The Dynasties of International Bankers

The merchant bankers of London ... brought into their financial network the provincial banking centers, organized as commercial banks and savings banks, as well as insurance companies, to form all of these into a single financial system on an international scale which manipulated the quantity and flow of money so that they were able to influence, if not control, governments on one side and industries on the other.

The men who did this, looking backward toward the period of dynastic monarchy in which they had their own roots, aspired to establish dynasties of international bankers and were at least as successful at this as were many of the dynastic political rulers. The greatest of these dynasties, of course, were the descendants of Meyer Amschel Rothschild (1743-1812) of Frankfort, whose male descendants, for at least two generations, generally married first cousins or even nieces.

In concentrating, as we must, on the financial or economic activities of international bankers, we must not totally ignore their other attributes. They were, especially in later generations, cosmopolitan rather than nationalistic. They were usually highly civilized, cultured gentlemen, patrons of education and of the arts, so that today colleges, professorships, opera companies, symphonies, libraries, and museum collections still reflect their munificence. For these purposes they set a pattern of endowed foundations which still surround us today.

Bankers Felt Politicians Could Not Be Trusted With the Monetary System

The influence of financial capitalism and of the international bankers who created it was exercised both on business and on governments, but could have done neither if it had not been able to persuade both these to accept two "axioms" of its own ideology. Both of these were based on the assumption that politicians were too weak and too subject to temporary popular pressures to be trusted with control of the money system; accordingly, the sanctity of all values and the soundness of money must be protected in two ways: by basing the value of money on gold and

by allowing bankers to control the supply of money. **To do this it was necessary to conceal, or even to mislead, both governments and people about the nature of money and its methods of operation.**

In most countries the central bank was surrounded closely by the almost invisible private investment banking firms. These, like the planet Mercury, could hardly be seen in the dazzle emitted by the central bank which they, in fact, often dominated. Yet a close observer could hardly fail to notice the close *private* associations between these private, international bankers and the central bank itself.

Two of the five factors which determined the value of money are the supply and the demand for money. The supply of money in a single country was subject to no centralized, responsible control in most countries over recent centuries. Instead, there were a variety of controls of which some could be influenced by bankers, some could be influenced by the government, and some could hardly be influenced by either.

Central banks can usually vary the amount of money in circulation by "open market operations" or by influencing the discount rates of lesser banks. In open market operations, a central bank buys or sells government bonds in the open market. If it buys, it releases money into the economic system; if it sells it reduces the amount of money in the community. The change is greater than the price paid for the securities [due to the fractional reserve system].

Central banks can also change the quantity of money by influencing the credit policies of other banks. This can be done by various methods, such as changing the re-discount rate or changing reserve requirements. By changing the re-discount rate, we mean the interest rate which central banks charge lesser banks for loans. By raising the re-discount rate the central bank *forces* the lesser bank to raise its discount rate in order to operate at a profit; such a raise in interest rates tends to reduce the demand for credit and thus the amount of deposits (money). Lowering the re-discount rate *permits* an opposite result.

The powers of governments over the quantity of money are of various kinds, and include (*a*) control over a central bank, (*b*) control over public taxation, and (*c*) control over public spending. The control of governments over central banks varies greatly from one country to another, but on the whole has been increasing. Since most central banks have been (technically) private institutions, this control is frequently based on custom rather than on law.

The powers of the government over the quantity of money in the community exercised through taxation and public spending are largely independent of banking control. Taxation tends to reduce the amount of money in a community and is usually a deflationary force; government spending tends to increase the amount of money in a community and is usually an inflationary force. The total effects of a government's policy will depend on which item is greater. An unbalanced budget will be inflationary; a budget with a surplus will be deflationary.

Money Power—Controlled by International Investment Bankers—Dominates Business and Government

On the whole, in the period up to 1931, bankers, especially the Money Power controlled by the international investment bankers, were able to dominate both business and government. They could dominate business, especially in activities and in areas where industry could not finance its own needs for capital, because investment bankers had the ability to supply or refuse to supply such capital. Thus, Rothschild interests came to dominate many of the railroads of Europe, while Morgan dominated at least 26,000 miles of American railroads.

Such bankers went further than this. In return for flotations of securities of industry, they took seats on the boards of directors of industrial firms, as they had already done on commercial banks, savings banks, insurance firms, and finance companies. From these lesser institutions they funneled capital to enterprises which yielded control and away from those who resisted. These firms were controlled through interlocking directorships, holding companies, and lesser banks. They engineered amalgamations and generally reduced competition, until by the early twentieth century many activities were so monopolized that they could raise their noncompetitive prices above costs to obtain sufficient profits to become self-financing.

But before that stage was reached a relatively small number of bankers were in positions of immense influence in European and American economic life. As early as 1909, Walter Rathenau, who was in a position to know (since he had inherited from his father control of the German General Electric Company and held scores of directorships himself), said, "Three hundred men, all of whom know one another, direct the economic destiny of Europe and choose their successors from among themselves."

The Power of Investment Bankers Over Governments

The power of investment bankers over governments rests on a number of factors, of which the most significant, perhaps, is the need of governments to issue short-term treasury bills as well as long-term government bonds. Just as businessmen go to commercial banks for current capital advances to smooth over the discrepancies between their irregular and intermittent incomes and their periodic and persistent outgoes, so a government has to go to merchant bankers (or institutions controlled by them) to tide over the shallow places caused by irregular tax receipts.

As experts in government bonds, the international bankers not only handled the necessary advances, but provided advice to government officials and, on many occasions, placed their own members in official posts for varied periods to deal with special problems. This is so widely accepted even today that in 1961 a Republican investment banker became Secretary of the Treasury in a Democratic Administration in Washington without significant comment from any direction.

Naturally, the influence of bankers over governments during the age of financial capitalism (roughly 1850-1931) was not something about which anyone talked freely, but it has been admitted frequently enough by those on the inside, especially in England. In 1852 Gladstone, chancellor of the Exchequer, declared, "The hinge of the whole situation was this: the government itself was not to be a substantive power in matters of Finance, but was to leave the Money Power supreme and unquestioned." On September 26, 1921, *The Financial Times* wrote, "Half a dozen men at the top of the Big Five Banks could upset the whole fabric of government finance by refraining from renewing Treasury Bills."

Montagu Norman and J. P. Morgan Dominate the Financial World

In addition to their power over government based on government financing and personal influence, bankers could steer governments in ways they wished them to go by other pressures. **Since most government officials felt ignorant of finance, they sought advice from bankers whom they considered to be experts in the field. The history of the last century shows, as we shall see later, that the advice given to governments by bankers, like the advice they gave to industrialists, was consistently good for bankers, but was often disastrous for governments, businessmen, and the people generally.**

Such advice could be enforced if necessary by manipulation of exchanges, gold flows, discount rates, and even levels of business activity. The powers of these international bankers reached their peak in the last decade of their supremacy, 1919-1931, when Montagu

Norman and J. P. Morgan dominated not only the financial world but international relations and other matters as well.

On November 11, 1927, the *Wall Street Journal* called Mr. Norman "the currency dictator of Europe." This was admitted by Mr. Norman himself before the Court of the Bank on March 21, 1930, and before the Macmillan Committee of the House of Commons five days later. On one occasion ... Mr. Norman is reported to have said, "I hold the hegemony of the world." It might be added that Governor Norman rarely acted in major world problems without consulting with J. P. Morgan's representatives.

Chapter 9—The British Imperial Crisis

Britain acquired the world's greatest empire because it possessed certain advantages which other countries lacked. We mention three of these advantages: (1) that it was an island, (2) that it was in the Atlantic, and (3) that its social traditions at home produced the will and the talents for imperial acquisition.

Cecil Rhodes Organized a Secret Society in 1891

[Cecil] Rhodes (1853-1902) feverishly exploited the diamond and goldfields of South Africa, rose to be prime minister of the Cape Colony (1890-1896), contributed money to political parties, controlled parliamentary seats both in England and in South Africa, and sought to win a strip of British territory across Africa from the Cape of Good Hope to Egypt and to join these two extremes together with a telegraph line and ultimately with a Cape-to-Cairo Railway.

Rhodes inspired devoted support for his goals from others in South Africa and in England. With financial support from Lord Rothschild and Alfred Beit, he was able to monopolize the diamond mines of South Africa as De Beers Consolidated Mines and to build up a great gold mining enterprise as Consolidated Gold Fields. In the middle 1890's Rhodes had a personal income of at least a million pounds sterling a year [equivalent to about $100 million a year in current U.S. dollars] which was spent so freely for his mysterious purposes that he was usually overdrawn on his account.

[An] association was formally established on February 5, 1891, when Rhodes and [William] Stead organized a secret society of which Rhodes had been dreaming for sixteen years. In this secret society Rhodes was to be leader; Stead, Brett, and Milner were to form an executive committee; Arthur (Lord) Balfour, (Sir) Harry Johnston, Lord Rothschild, Albert (Lord) Grey, and others were listed as potential members of a "Circle of Initiates"; while there was to be an outer circle known as the "Association of Helpers" (later organized by Milner as the Round Table organization).

In 1919 [Rhodes' followers] founded the Royal Institute of International Affairs (Chatham House) for which the chief financial supporters were Sir Abe Bailey and the Astor family (owners of *The Times*). Similar Institutes of International Affairs were established in the chief British dominions and in the United States (where it is known as the Council on Foreign Relations) in the period 1919-1927. The power and influence of this Rhodes-Milner group in British imperial affairs and in foreign policy since 1889, although not widely recognized, can hardly be exaggerated. We might mention as an example that this group dominated *The Times* from 1890 to 1912, and has controlled it completely since 1912 (except for the years 1919-1922).

In spite of the terms of the Rhodes wills, Rhodes himself was not a racist. Nor was he a political democrat. He worked as easily and as closely with Jews, black natives, or Boers as he did with

English. His greatest weakness rested on the fact that his passionate attachment to his goals made him overly tolerant in regard to methods. He did not hesitate to use either bribery or force to attain his ends if he judged they would be effective.

Chapter 20—The Period of Stabilization, 1922-1930

America Becomes the World's Greatest Creditor

By 1914 Britain's supremacy as financial center, as commercial market, as creditor, and as merchant shipper was being threatened. At this critical stage in Britain's development, the World War occurred. This had a double result as far as this subject is concerned. It forced Britain to postpone indefinitely any reform of her industrial system to adjust it to more modern trends; and it speeded up the development of these trends so that what might have occurred in twenty years was done instead in five.

The war changed the position of the United States in respect to the rest of the world from that of a debtor owing about $3 billion to that of a creditor owed $4 billion. This does not include intergovernmental debts of about $10 billion owed to the United States as a result of the war. At the same time, Britain's position changed from a creditor owed about $18 billion to a creditor owed about $13.5 billion. In addition, Britain was owed about $8 billion in war debts from her Allies ... and owed to the United States war debts of well over $54 billion. Most of these war debts and reparations were sharply reduced after 1920, but the net result for Britain was a drastic change in her position in respect to the United States.

The basic economic organization of the world was modified in other ways. The more backward areas of Europe and the world had been industrialized to a great degree and were unwilling to fall back to a position in which they would obtain industrial products from Britain, Germany, or the United States in return for their raw materials and food. This refusal was made more painful for both sides by the fact that these backward areas had increased their outputs of raw materials and food so greatly that the total could hardly have been sold even if they had been willing to buy all their industrial products from their prewar sources.

The result was a situation where all countries were eager to sell and reluctant to buy, and sought to achieve these mutually irreconcilable ends by setting up subsidies and bounties on exports, tariffs, and restrictions on imports, with disastrous results on world trade.

The only sensible solution to this problem of excessive productive capacity would have been a substantial rise in domestic standards of living, but this would have required a fundamental reapportionment of the national income so that claims to the product of the excess capacity would go to those masses eager to consume, rather than continue to go to the minority desiring to save. Such a reform was rejected by the ruling groups in both "advanced" and "backward" countries, so that this solution was reached only to a relatively small degree in a relatively few countries.

The system of international payments which had worked ... before 1914 worked only haltingly after that date, and practically ceased to work at all after 1930. The chief cause of these factors was that neither goods nor money obeyed purely economic forces and did not move as formerly to the areas in which each was most valuable. The chief result was a complete mal-distribution of gold, a condition which became acute after 1928 and which by 1933 had forced most countries off the gold standard.

Money Power Seeks to Create a World System of Financial Control in Private Hands

Able to Dominate Every Nation on Earth

The powers of financial capitalism had [a] far-reaching aim, nothing less than to create a world system of financial control in private hands able to dominate the political system of each country and the economy of the world as a whole. This system was to be controlled in a feudalist fashion by the central banks of the world acting in concert, by secret agreements arrived at in frequent private meetings and conferences. The apex of the system was to be the Bank for International Settlements in Basel, Switzerland, a private bank owned and controlled by the world's central banks which were themselves private corporations.

Each central bank, in the hands of men like Montagu Norman of the Bank of England, Benjamin Strong of the New York Federal Reserve Bank, Charles Rist of the Bank of France, and Hjalmar Schacht of the Reichsbank, sought to dominate its government by its ability to control Treasury loans, to manipulate foreign exchanges, to influence the level of economic activity in the country, and to influence cooperative politicians by subsequent economic rewards in the business world.

Norman Was the Commander-in-Chief of the World System of Banking Control

The commander in chief of the world system of banking control was Montagu Norman, Governor of the Bank of England, who was built up by the private bankers to a position where he was regarded as an oracle in all matters of government and business. In January, 1924, Reginald McKenna, who had been chancellor of the Exchequer in 1915-1916, as chairman of the board of the Midland Bank told its stockholders: "I am afraid the ordinary citizen will not like to be told that the banks can, and do, create money.... And they who control the credit of the nation direct the policy of Governments and hold in the hollow of their hands the destiny of the people."

Montagu Norman's position may be gathered from the fact that his predecessors in the governorship, almost a hundred of them, had served two-year terms, increased rarely in time of crisis. But Norman held the position for twenty-four years (1920-1944). **Norman was a strange man whose mental outlook was one of successfully suppressed hysteria or even paranoia. He had no use for governments and feared democracy. Both of these seemed to him to be threats to private banking. Strong-willed, tireless, and ruthless, he viewed his life as a kind of cloak-and-dagger struggle with the forces of ... [sound] money.**

Norman had a devoted colleague in Benjamin Strong, the first governor of the Federal Reserve Bank of New York. Strong owed his career to the favor of the Morgan Bank. He became governor of the Federal Reserve Bank of New York as the joint nominee of Morgan and of Kuhn, Loeb, and Company in 1914. Two years later, Strong met Norman for the first time, and they at once made an agreement to work in cooperation for the financial practices they both revered.

In the 1920's, they were determined to use the financial power of Britain and of the United States to force all the major countries of the world to go on the gold standard and to operate it through central banks free from all political control, with all questions of international finance to be settled by agreements by such central banks without interference from governments.

Norman and Strong Were Mere Agents of the Powerful Bankers Who Remained Behind the Scenes and Operated in Secret

It must not be felt that these heads of the world's chief central banks were themselves substantive powers in world finance. They were not. Rather, they were the technicians and agents of the dominant investment bankers of their own countries, who had raised them

up and were perfectly capable of throwing them down. The substantive financial powers of the world were in the hands of these investment bankers who remained largely behind the scenes in their own unincorporated private banks. These formed a system of international cooperation and national dominance which was more private, more powerful, and more secret than that of their agents in the central banks.

This dominance of investment bankers was based on their control over the flows of credit and investment funds in their own countries and throughout the world. They could dominate the financial and industrial systems of their own countries by their influence over the flow of current funds through bank loans, the discount rate, and the re-discounting of commercial debts. They could dominate governments by their control over ... government loans and the play of the international exchanges.

In this system the Rothschilds had been preeminent during much of the nineteenth century, but, at the end of that century, they were being replaced by J. P. Morgan whose central office was in New York, although it was always operated as if it were in London (where it had, indeed, originated as George Peabody and Company in 1838). The growth of financial capitalism made possible a centralization of world economic control and a use of this power for the direct benefit of financiers and the indirect injury of all other economic groups.

Money Power Creates an Ingenious Plan to Create and Control Giant Monopolies

[Financial capitalists eventually] sought to sever control from ownership of securities, believing they could hold the former and relinquish the latter. On the industrial side, they sought to advance monopoly and restrict production, thus keeping prices up and their security holdings liquid.

The efforts of financiers to separate ownership from control were aided by the great capital demands of modern industry. Such demands for capital made necessary the corporation form of business organization. This inevitably brings together the capital owned by a large number of persons to create an enterprise controlled by a small number of persons. The financiers did all they could to make the former number as large as possible and the latter number as small as possible. **The result of this was that larger and larger aggregates of wealth fell into the control of smaller and smaller groups of men.**

While financial capitalism was thus weaving the intricate pattern of modern corporation law and practice on one side, it was establishing monopolies and cartels on the other. Both helped to dig the grave of financial capitalism and pass the reins of economic control on to the newer monopoly capitalism. On one side, the financiers freed the controllers of business from the owners of business, but on the other side, this concentration gave rise to monopoly conditions which freed the controllers from the banks.

Chapter 65—American Confusions, 1945-1950

There does exist, and has existed for a generation, an international Anglophile network. I know of the operations of this network because I have studied it for twenty years and was permitted for two years, in the early 1960's, to examine its papers and secret records. I have no aversion to it or to most of its aims and have, for much of my life, been close to it and to many of its instruments. I have objected, both in the past and recently, to a few of its policies ... but in general my chief difference of opinion is that it wishes to remain unknown, and I believe its role in history is significant enough to be known.

Chapter 77—Conclusion

The hope of the twentieth century rests on its recognition that war and depression are man-made and needless. They can be avoided in the future by turning from ... nineteenth-century characteristics ... and going back to other characteristics that our Western society has always regarded as virtues: generosity, compassion, cooperation, rationality, and foresight, and finding an increased role in human life for love, spirituality, charity, and self-discipline.

Note: The above is a 10-page summary. **To go to a more in-depth 40-page summary, click here.** A full copy of Carroll Quigley's *Tragedy and Hope* can be found online by clicking here or here. To purchase this landmark book (1,348 pages), click here. For two other short, excellent summaries which touch on the power of the banking elite, click here and here. For eye-opening news articles filled with revealing information about powerful secret societies, click here.

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